

Message Text

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PAGE 01 PEKING 02948 150930Z
ACTION EB-08

INFO OCT-01 EA-10 ISO-00 DODE-00 NSAE-00 USIA-06
TRSE-00 ERDA-05 CIAE-00 COME-00 TRSY-02 AID-05
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TO SECSTATE WASHDC 9411

C O N F I D E N T I A L PEKING 2948

E.O. 11652: GDS
TAGS: ESTC CH US
SUBJ: IBM SALE OF MODEL 370/138 COMPUTER FOR SHENYANG BLOWER WORKS

1. SUMMARY. IBM ON VERGE OF SELLING MODEL 370/138
COMPUTER TO CHINESE FOR USE IN CONJUNCTION WITH NEW
COMPRESSOR MANUFACTURING EQUIPMENT AT SHENYANG
BLOWER WORKS. CONTRACT INCLUDES PROVISIONS FOR
SERVICING OVER TWO YEAR PERIOD. IBM FILED FOR US
EXPORT LICENSE IN MARCH 1977. WE RECOMMEND EXPEDITIOUS
HANDLING OF THIS LICENSE APPLICATION. END SUMMARY.

2. IBM WORLD TRADE DIRECTOR AMERICAS/ FAR EAST
CHARLES W. SWIFT CALLED ON AMBASSADOR WOODCOCK ON
DECEMBER 14 TO BRIEF USLO ON STATUS OF COMMERCIAL
NEGOTIATIONS WITH MACHIMPEX FOR SALE OF MODEL 370/138
COMPUTER AND RELATED PERIPHERALS. SWIFT SEEMED QUITE
CONFIDENT THAT FINAL CONTRACTUAL DETAILS WOULD BE WORKED
OUT AND CONTRACT SIGNED DURING HIS VISIT. IBM
COMPUTER WOULD BE USED IN CONJUNCTION WITH
COMPRESSOR MANUFACTURING EQUIPMENT TO BE PROVIDED
BY ITALIAN FIRM NUOVO PIGNONE.
SMITH SAID IBM'S DISCUSSIONS WITH CHINESE
ON THIS SALE BEGAN IN OCTOBER 1976 AND COMMERCIAL
PHASE OF THE NEGOTIATIONS COMMENCED MAY 1977.
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(IBM TEAM HAS BEEN IN CHINA NEGOTIATING ALMOST
CONTINUOUSLY SINCE LAST SPRING.)

3. IF CONTRACT IS CONCLUDED, DELIVERY IS SET
FOR DECEMBER 1978. IBM ANTICIPATES INSTALLATION
PERIOD OF APPROXIMATELY ONE MONTH FOLLOWED BY A
MAINTENANCE PERIOD OF TWO YEARS. CONTRACT INCLUDES

PROVISIONS FOR LUMP SUM SERVICE CHARGE TO COVER COSTS OF MAINTENANCE. SWIFT EXPRESSED SOME CONCERN OVER PROFESSIONAL COMPETENCE OF CHINESE PERSONNEL ON-SITE WHO WILL BE OPERATING EQUIPMENT AND THEIR ABILITY TO PERFORM EVEN ROUTINE MAINTENANCE. HE INDICATED IBM ANTICIPATED MAKING FREQUENT VISITS TO THE PLANT SITE FOR SERVICING, PERHAPS ON A MONTHLY BASIS. (IBM NEGOTIATORS AL JOSEPH AND JOHN RYAN WERE ABLE TO VISIT SHENYANG BLOWER WORKS FOR THE FIRST TIME LAST WEEKEND.)

4. SWIFT SAID IBM FILED FOR US EXPORT LICENSE IN MARCH 1977 ON THE BASIS OF CHINESE LETTER OF INTENT. HE EXPRESSED SOME CONCERN OVER PROSPECTS FOR ISSUANCE. (NOTE: IBM NEGOTIATING TEAM TOLD USLO THAT CHINESE HAVE MADE FREQUENT DISPARAGING REFERENCES TO US AND COCOM EXPORT CONTROLS AND HAVE REPEATEDLY THREATENED TO GO TO OTHER (NON-US) SUPPLIERS WHO WOULD CIRCUMVENT REGULATIONS.)

5. SWIFT SAID THAT TO REDUCE TRANSPORT COSTS, CHINESE HAVE REQUESTED THAT COMPUTER BE ASSEMBLED IN JAPAN RATHER THAN US. HE THOUGHT IBM MIGHT HAVE A PROBLEM OBTAINING JAPANESE EXPORT LICENSE IN VIEW OF US POSITION ON HITACHI COMPUTER CASE. WE WOULD APPRECIATE DEPARTMENT VIEWS ON CONFIDENTIAL

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THIS POINT.

6. COMMENT: IBM CONTRACT OBVIOUSLY REPRESENTS SIGNIFICANT SALE OF US EQUIPMENT IN HIGH PRIORITY AREA TO PRC. WE RECOMMEND THAT USG MAKE PROMPT AND FAVORABLE (SUBJECT TO APPROPRIATE END-USE SAFEGUARDS) DECISION ON LICENSE APPLICATION. WE BELIEVE EXPEDITIOUS HANDLING OF IMPORTANT CASES SUCH AS THIS ONE WILL BE AN INDICATION TO CHINESE OF INCREASED USG WILLINGNESS TO FACILITATE TRADE DURING PRESENT PERIOD OF BILATERAL RELATIONS. MOREOVER, A SIGNAL THAT US IS PREPARED TO BE FORTHCOMING IN HANDLING EXCON CASES IS PARTICULARLY IMPORTANT NOW, IN TERMS OF US COMPETITIVE POSITION IN PRC MARKET, SINCE WE ANTICIPATE PRC WILL STEP UP IMPORTS OF FOREIGN EQUIPMENT IN 1978 IN A NUMBER OF AREAS AND PRC DECISION PROCESS ON PROSPECTIVE IMPORTS PRESUMABLY UNDERWAY NOW. FINALLY, EXPEDITIOUS HANDLING OF THIS CASE MAY ALLEVIATE TO SOME EXTENT SPECIFIC CONCERNS CHINESE HAVE EXPRESSED TO IBM RE EXCON. WOODCOCK

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Message Attributes

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Control Number: n/a
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Sent Date: 15-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Review Exemptions: n/a
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